

The meatpacking industry . . . Garlic demand . . . Marketing organic foods . . . Field crop supplies . . . Farming & the rural economy

Farm Commodity Abundance To Continue

Large supplies of major U.S. field crops, along with low prices, are expected again in 2000/01, according to USDA's first forecast for the season. While domestic consumption of most major oilseeds and grains is anticipated to remain strong because of low prices, export prospects will vary by crop, and ending stocks in 2000/01 will build for soybeans, corn, rice, and cotton.

Red meat and poultry production in 2001 is forecast at around 83 billion pounds, up less than 1 percent from this year's expected record. Despite plentiful meat supplies, strong consumer demand is likely to maintain hog prices that have risen in 2000, while poultry prices are expected to decline only slightly in 2001. Prices for both fed and feeder cattle will post modest gains as supplies continue to decline.

Garlic Demand Soars

U.S. garlic use has soared, hitting a record-high 3.1 pounds per person in 1999, three times the level in 1989. No other vegetable has experienced stronger growth in demand over the past 10 years. The strong surge in use during the 1990's likely reflects: rising popularity of ethnic foods and restaurants, persistent publicity about the health benefits of garlic, and demand from the health supplements industry. Vigorous demand has resulted in a doubling of U.S. garlic production over each of the last two decades. Output was record large in 1999, and wholesale garlic prices this spring are a third lower than a year earlier.

Consolidation in Meatpacking: Causes & Concerns

The U.S. meatpacking industry consolidated rapidly in the last two decades. Following the emergence of new and extensive scale economies in meatpacking, intense price competition led to the exit of higher cost smaller plants and their rapid replacement by larger and more effi-



cient plants and significant increases in concentration and reductions in costs. If larger packers realize lower costs, then concentration, by reducing industry costs, can lead to improved prices for consumers and for livestock producers. However, with fewer competitors, meatpackers could reduce prices paid to livestock producers and may be able to raise meat prices charged to wholesalers and retailers. A challenge for policymakers is to ensure that a highly concentrated industry—a result of consolidation—does not limit price competition among packers.

Rewarding Environmentally Friendly Farming

Interest is growing in broadening the array of government programs that would improve the environmental performance of agriculture and at the same time provide income support to agricultural producers. Government "agri-environmental" payments programs compensate producers for maintaining beneficial impacts of agriculture or mitigating adverse environmental impacts. Net benefits of agri-environmental payments programs will be greater if policymakers, in designing the programs, assign higher priority to activities

and practices that are more valued and/or less costly. The cost-effectiveness of such programs can also be enhanced by building in flexibility—i.e., giving farmers latitude in selecting or developing practices tailored to their own farming operations.

Marketing Organic Foods

The organic industry has grown at a remarkable rate during the past several years. Average annual growth in organic food sales is expected to continue at 20-24 percent into the next decade. Rapid growth in demand presents the organic industry with a major challenge—to ensure an adequate supply while maintaining product integrity as commodities move along the marketing chain from growers to retailers. Assurance of organic integrity may require 1) certification that the commodity was grown organically, 2) marketing and manufacturing techniques that preserve its organic identity, and 3) implementation of a national standard that precisely defines "certified organic." USDA's proposed national organic standards, expected to be finalized this year, will provide a national definition of organic production.

Farming's Role in The Rural Economy

The U.S. rural economy remains strong, largely unaffected by low farm prices of recent years. The ability of the rural economy to shake off downturns in the farm sector is a reminder that agriculture (including ag-related industries such as input suppliers and food retailing) is not the primary economic engine of rural America. Rural America's nonagricultural economy has grown steadily, outpacing growth in agriculture, so that agriculture's relative importance as a source of jobs and income has declined. In general, it is the strength of the overall economy that has sustained the rural economy. The growing service orientation of the U.S. economy suggests that the key to survival and growth for rural communities is developing and attracting service-sector businesses.